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SUBJECT: CYPRUS: WATER SUPPLY BAD NOW - WORSE NEXT YEAR

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(U) This cable is sensitive but unclassified. Please protect accordingly.

¶1. (SBU) There has been no significant rainfall in Cyprus since March, 2007. As a result, reservoirs are down to about 8 percent of capacity - down from over 25 percent full this time last year. While anticipated winter rains should avoid any immediate water shortages, the severely stressed ground water supply will be fully depleted by the middle of next summer unless the rains are exceptionally good this winter and spring. The GoC is working toward additional desalinization projects to ward off major supply problems, but it is unlikely that these will come on-line by summer ¶2008. End Summary.

Crisis - But The Rains Will Come

¶2. (SBU) On November 9, Post Econ Officer and Econ Specialist met with Christodoulos Artemis, Director, GOC Water Development Department (WDD) to discuss the current water shortage on the island. Artemis explained that demand for water had been increasing at an average of three or four percent per year in recent years, almost double the forecast rates and far outstripping the 0.5 percent annual increase in population. Increased per capita water consumption, coupled with a string of very dry winters, have resulted in the present water shortage. He described the present water situation as "critical," although he showed no signs of alarm.

He was confident that, "sooner or later," the annual winter rains would bring some badly-needed relief. He also outlined for us (below) what his department is doing to deal with the situation.

Everything's Dammed

¶3. (U) Cyprus ranks number one among European countries in terms of the number of dams, measured both by number per square kilometer and per capita. The country has a total of 108 dams (56 of them classified as large dams), most of them built after independence from the British in 1960. The total holding capacity of these dams is 327 million cubic meters of water and Artemis claims there are, effectively, no additional sites available to be dammed. And yet, for all these dams, Cyprus is facing a severe water supply problem. After an unusually long and hot summer, and three largely rainless winters, the dams are now down to less than eight percent full,

containing only enough water for the next three months at current rates of usage.

Desalination

14. (SBU) Cyprus has two desalination plants (one in Larnaca and one in Dhekelia) producing enough water to satisfy 50 percent of the domestic supply network. The remaining 50 percent of domestic supply needs are met by surface water and boreholes. The eastern part of the island enjoys an interconnected water supply system. Artemis claims that this system could easily be extended to Limassol but that Paphos (on the west coast) is likely to remain off the water grid.

15. (SBU) Artemis called attention to two tenders for water projects, designed to mitigate the water shortage: (a) a tender for a pre-engineered water desalination unit to be floated offshore and supply water for a three-year period. The deadline for submitting tenders was November 12 -- a U.S. firm (SeaStar Energy) has made a bid; (b) over the next few weeks, the WDD expects to invite tenders for a fixed desalinization plant in Limassol. The plant is anticipated to come on line in two- three years. These two projects are expected to increase existing domestic desalinated-water producing capacity by 25 percent. According to the WDD, the Electricity Authority of Cyprus, which has a virtual monopoly on the local energy supply market, will be in a position to supply the extra electricity required to run these facilities.

16. (SBU) Additionally, the WDD plans to negotiate increased production from the existing Dhekelia plant, and there are also vague plans for inviting tenders for a new desalination plant for Paphos in the future. The WDD had planned for additional plants to be available by now, however, following heavy rains three years ago filling the dams to capacity and the need to reduce government expenditure as a condition to EU accession, the government put off any additional desalination plant construction until now.

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Worse In The North?

17. (SBU) Although not an expert on water in the north of Cyprus, Artemis guessed that the "TRNC" must face an even graver situation, given their limited dam capacity and lack of desalination plants. Efforts in the past to bring in water from Turkey in large balloons have failed, while a long-time plan to construct a water pipeline from Turkey has remained on paper. Limited amounts of water do cross the buffer zone: Famagusta's water supply comes partly from the south. Also, some water from Morphou in the north crosses to the south, via Nicosia city's network but then goes back north to Famagusta. Nicosia's sewerage system (largely built before 1974), has components in both parts of the island: Nicosia's effluent is channeled north of the Green Line, where it gets processed at the Mia Milia treatment plant.

Pricing

18. (SBU) Agriculture in the Republic, generating only about 3.2 percent of GDP, absorbs 69 percent of total water consumption. Tourism, which contributes around 20 percent of GDP, absorbs about 5 percent of total water used. Artemis did not agree with the assessment, submitted by many foreign water experts, that water for agriculture is under-priced. He said that its current low price (about CP 0.10 or USD 0.25) per ton, reflected the fact that the infrastructure used to supply this water is much older and, thus, fully depreciated by now. By contrast, water for household consumption is sold at CP 0.45-CP 1.10 (USD 1.12-USD 2.75 per ton). (He deemed any suggestion of adopting a more "holistic" approach to water pricing and consumption, to reflect present realities and address the apparent imbalance, was beyond the scope of our discussion.)

Demand Management

¶9. (SBU) Artemis noted that his department was very committed to demand-management measures. Among the measures already in use he listed: (a) rising block tariffs for water (i.e., the higher the consumption, the higher the rate at which it is billed); (b) a policy of recovering the full financial cost of water produced (even though some experts disagree that this is the case in Cyprus); (c) public information campaigns to reduce waste (even though such campaigns have not been much in evidence recently). Despite these measures, Post has noted rampant waste of water among the public on many occasions, including the traditional watering of the sidewalks and patios (to keep down dust). Wasting water is subject to fines, but this is rarely enforced.

¶10. (SBU) The WDD is responsible for about 70 percent of water used in Cyprus, typically servicing cities, large villages, and agriculture, through an interconnected domestic supply network. The WDD sells the water to local water boards and they, in turn, sell it to consumers. However, the WDD is facing financial difficulties as a result of long delays in payments by local water boards. Additionally, water rates are kept artificially low in some municipalities as a result of legislative difficulties (changes in water rates need to be approved by the House of Representatives). The remaining 30 percent of water needs are covered by private or municipal boreholes and other small community projects.

¶11. (SBU) Comment: With fields now largely fallow and the end of the hot weather (and attendant masses of tourists), the country should be able to make it through the winter and spring with only modest rainfall. But next summer could be difficult and, if water rationing begins during the height of the tourist and planting seasons, Cyprus' economy and image could suffer heavy blows. Given the typical delays in awarding tenders here, we have little confidence that additional desalination capacity will be on line in time to address any shortages during 2008.

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